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Nicor Gas
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Naperville, IL 60563-9800

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Aurora, IL 60507-0190

Phone 800 963-8878
Internet www.nicorinc.com

January 31, 2001

Ms. Donna M. Caton
Chief Clerk
Illinois Commerce Commission
527 East Capitol Avenue
Springfield, Illinois 62794

Dear Ms. Caton:

The enclosed Petition, dated January 31, 2001, is submitted in triplicate for filing with the Illinois Commerce Commission. The Petition requests approval of a Budget Payment Plan for Nicor Gas' customers, on less than 45 days' notice. The proposed Budget Payment Plan would allow a residential or small commercial customer to pay a fixed amount for twelve months of gas service with a "true-up" at the end of the time period. The proposed Budget Payment Plan is intended to assist our customers in managing their utility payments.

A copy of this filing is being sent to Mr. John Hendrickson, Director, Rate Design Department of the Commission in Springfield. One additional copy of this filing is also enclosed for your convenience in acknowledging receipt, thereof.

Sincerely,

Albert E. Hanns
Manager Rate Research

Enclosures

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

NORTHERN ILLINOS GAS COMPANY)
d/b/a NICOR GAS COMPANY)
Application for Consent to and Approval of)
a Budget Payment Program to be effective)
on less than 45 days' notice.)

Docket No. 01-0116

PETITION

To the Illinois Commerce Commission:

Northern Illinois Gas Company d/b/a Nicor Gas Company ("Nicor Gas" or "Company"), respectfully requests that the Commission enter an Order consenting to and approving implementation of a Budget Payment Program to be offered to Nicor Gas customers. A copy of the proposed Budget Payment Program is attached hereto and made a part hereof. The attached Budget Payment Program would replace the Company's existing Convenient Payment and Customer Support Payment plans. In support of this Petition, Nicor Gas states as follows:

1. Nicor Gas is an Illinois corporation with its General Office at 1844 Ferry Road, Naperville, DuPage County, Illinois 60563-9600. It is engaged in the business of distributing and selling gas to more than 1,950,000 customers in the northern part of Illinois, and is a public utility within the meaning of the Illinois Public Utilities Act (the "Act").

2. For many years, Nicor Gas has offered a highly successful Convenient Payment Plan that allows customers to make fixed monthly payments toward their future gas bills. The popularity of this plan is demonstrated by the fact that over 430,000, or

about one quarter of Nicor Gas' residential customers, participate in this plan. One of the unique features of the Convenient Payment Plan is its flexibility in allowing customers to make any payment they wish, as long as there is not an outstanding balance. While each spring the Company suggests a monthly payment that would likely cover payment of the customer's future bills, the customer can select any amount to pay each month, as long as the customer remains current on his payments. Additionally, on any credit balance the customer has with the Company, Nicor Gas pays monthly an earned credit which is determined quarterly, based on the interest rate paid on U.S. Treasury Bills. The current annual rate being paid is 5.92 percent.

3. Nicor Gas recently implemented its Customer Support Payment Plan which enables participants to spread their estimated costs over a future twelve month period. This plan allows customers to spread the higher winter payments over the summer months when gas use and bills are generally lower. This plan requires the customer to pay at least the calculated installment amount each of the twelve months. Since its start-up in December, 2000, over 50,000 customers have signed up for the program.

4. In order to assist customers in managing their bill payments, the Company proposes to be even more flexible in arranging for payment of its bills. To this end, Nicor Gas proposes to implement a new and even more flexible Budget Payment Plan.

5. The Company's proposed Budget Plan would have the following features:

- The plan would be generally available to the Company's residential and commercial sales customers in good credit standing with average monthly gas bills of less than \$4,000.
- Customers could enter the program at any time of the year.

- The Company would solicit customers to participate in the program from March to May 2001. Customers would be informed of their monthly budget payment amounts with their bills.
- Customers would be able to sign up for the plan via the internet, on the bill payment stub returned to the Company or by calling Nicor Gas' Customer Care Call Center.
- The budget payment amount would be based on the customer's use factors, forecasted gas costs, distribution charges and applicable taxes. However, customers could opt to pay a higher amount at any time.
- From time to time during the year, Nicor Gas would re-evaluate the Budget Plan amount and make any adjustments that are \$6.00 per month or greater.
- If there is a Budget Plan credit balance, that is, if cumulative payments exceed billed amounts, the Company would issue a finance credit. As currently calculated for the Convenient Payment Plan, the finance credit would be calculated quarterly based on the average daily rate of 13-week U.S. Treasury Bills and applied monthly to the average daily credit balance.
- If there is a Budget Plan shortfall, the account would be assessed a monthly finance charge equal to the monthly earned credit rate plus 0.25 percent.
- If a customer does not make a Budget Plan payment it would be considered past due, unless the customer has a credit balance.
- If the customer misses two (2) budget installments during the budget time period, that customer's participation in the Budget Payment Plan would be automatically cancelled.
- The customer could be reinstated on the Budget Plan after all past due installments are paid, with one (1) reinstatement allowed in a 12-month period.
- At the customer's Budget Plan anniversary, a settlement bill would be issued if the balance is greater than \$77. Credit balances and shortfalls of less than \$77 would be rolled over into the next year's budget calculations.
- Customers that have existing arrears could participate in the Budget Plan and the arrears would be spread over the twelve month Budget Plan period.

6. The proposed Budget Payment Plan would continue to offer customers the ability to make payments in the same manner as the current Convenient Payment Plan. The customer would make the prescribed monthly payment and pay any shortfalls as they occur if they so desire. The customer would continue to receive an earned credit on all positive balances.

7. The proposed Budget Payment Plan would also offer the customer the additional flexibility of deciding not to stay current on his balance during the annual budget period, continue to pay the prescribed monthly payment and make up any shortfall at the anniversary date.

8. Because the Company would be "carrying" customers during periods of payment shortfalls, it would incur additional financing costs. For utilities which already have in place budget programs, associated costs are being recovered in the utility's base rates. However, this is not the case for Nicor Gas and, thus, the carrying costs to be incurred will be incremental to those recovered under the Company's base rates. Consequently, the Budget Payment Plan is designed to recover these incremental costs by applying a finance charge during periods when a customer's payments lag the amount billed by the Company.

9. As stated earlier, the Company is proposing to permit customers who have an outstanding balance to sign-up for the Budget Payment Plan. The customer's outstanding balance would be spread over the next 12 months. While the customer would incur the Company's proposed finance charge, that cost is substantially less than the late payment charge applied to balances under deferred payment arrangements.

10. The proposed Budget Payment Plan would replace the temporary Customer Support Payment Plan and be an ongoing program. While the Customer Payment Support Plan addresses the current needs of customers in today's market of high prices, the proposed Budget Payment Plan would be in place regardless of market conditions.

11. The best time for customers to begin on the Budget Payment Plan would be in the spring of the year so that credit balances could accumulate before the winter heating season. Also, with customers facing high gas costs right now, many customers would like to immediately stretch out payments over a longer period. Accordingly, the Company respectfully requests that the Commission issue an order approving establishment of the Budget Payment Plan as proposed by Nicor Gas before February 17, 2001. This would allow the Company time to notify customers of the proposed Budget Payment Plan and have customers start in the program as soon as possible.

12. In view of the forgoing, good cause exists for granting Nicor Gas authority to place into effect on less than 45 days' notice, the proposed Budget Payment Plan, copies of which are attached hereto and made a part hereof, pursuant to the provisions of 83 Illinois Administrative Code Part 280.120.

Wherefore, Nicor Gas respectfully requests that the Illinois Commerce Commission consent to and approve implementation of the Company's proposed Budget Payment Plan attached hereto, pursuant to the provisions of 83 Illinois Administrative Code Part 280.120, and grant such further and additional relief as may be necessary, just and reasonable in connection therewith.

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Respectfully submitted,
NORTHERN ILLINOIS GAS COMPANY
d/b/a Nicor Gas Company

By: George M. Behrend
Vice President

OF COUNSEL
Stephen J. Mattson
Angela O'Brien
Mayer, Brown & Platt
190 South LaSalle Street
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008/012

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NICOR GAS

**Northern Illinois Gas Company
d/b/a Nicor Gas Company**

III.C.C. No. 16 - Gas

9th Revised Sheet No. 1

(Canceling 8th Revised Sheet
No. 1, Effective June 30,
2000)

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Filed with the Illinois Commerce Commission on
items in which there are changes are preceded
by an asterisk (*)

Effective
Issued by - George M. Behrens
Vice President
Post Office Box 190
Aurora, Illinois 60507

**Northern Illinois Gas Company
d/b/a Nicor Gas Company**

Ill.C.C. No. 16 - Gas
3rd Revised Sheet No. 39
(Canceling 2nd Revised Sheet No. 39,
effective May 1, 1999)

Terms and Conditions

(Continued From Sheet No. 38)

Payment by Invalid Check.

A charge of \$10.00 will be assessed on a Customer who pays by a check or any other negotiable instrument which is not honored and returned to the Company for the following reasons: (a) Not Sufficient Funds; (b) account closed; or (c) any other reason except error of the financial institution or Company.

Monthly and Bimonthly Bills.

For the purposes of this Schedule the terms "month" or "monthly" shall mean the period between any two consecutive regular meter readings taken as nearly as practicable at 30-day intervals; and "bimonthly" shall mean the period between any two consecutive regular meter readings taken as nearly as practicable at 60-day intervals.

The Company may prepare any bill for service under Rates 1, 4, 10 and 11 on a bimonthly basis, or under such rates, may read meters bimonthly but render bills on a monthly basis, using estimated readings for bills falling between bimonthly readings. All other Customers shall be billed on a monthly basis.

Where charges in the rate are stated for, or based upon, a specified number of therms supplied in the month, such number of therms shall be doubled when computing bimonthly bills. Monthly minimum charges and monthly determination of gross charges shall be doubled when computing bimonthly bills.

*** Budget Payment Plan**

The Budget Payment Plan is available to any Customer being served under Rate 1 or Rate 4 with the exception of Customers whose service is disconnected for non-payment, and Customers whose average monthly bill is greater than \$4,000. At the request of any such Customer, the Company shall estimate the aggregate amount of the Customer's bills for gas service during a twelve month budget period to determine a monthly installment amount. The Company shall advise the customer of the amount of the monthly installment to be paid by the Customer during the budget period. Upon advice from the Company as to the monthly installment, the plan shall be put into effect with respect to said Customer, and the Customer shall be entitled to receive gas service under the plan so long as Customer (1) pays each monthly installment on or before the due date of such installment, and (2) pays, on or before the due date for the last installment of the budget period, the amount of the excess of the actual charges for gas service taken by the Customer during the preceding budget period over the sum of the installments theretofore paid by the Customer, if the excess is above a threshold amount determined by the Company. If the excess is less than the threshold amount, the excess will be carried over into the next budget period. The threshold amount initially established is \$77.

(Continued On Sheet No. 39.5)

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Vice President
Post Office Box 190
Aurora, Illinois 60507

210/0102

02/01/01 15:42 FAX
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NICOR GAS

Northern Illinois Gas CompanyIll.C.C. No. 16 - Gas
Original Sheet No. 39.5

Terms and Conditions

(Continued from Sheet No. 39)

If a Customer does not make payment by the installment due date, unless the Customer has a credit balance, the installment will be considered past due. A Customer shall be removed from the program when two installments are past due. A Customer can be reinstated on the budget plan after all past due installments are paid. One reinstatement is permitted during the twelve month budget plan period.

During the twelve month budget period, when there is a budget plan balance which reflects payments greater than actual bills, the Company will apply a credit to the variance. Such credit shall be based on the average daily credit balance, at an annual rate equal to that earned on 13-week Treasury Bills as reported by The Wall Street Journal, "Money Rates" table. Such rate shall be determined for each calendar quarter by averaging the daily reported 13-week Treasury Bill rate for the period beginning on the first working day of the previous quarter and ending five working days before the end of that quarter. Such average rate shall become effective as of the first day of each calendar quarter (i.e., January 1, April 1, July 1 and October 1). In the event such rate and/or publication becomes unavailable, a comparable rate and/or publication shall be substituted. Upon request from the Customer, part or all of any credit balance will be refunded to the Customer.

If the Customer incurs a debit balance during the budget plan period, a fee equal to the annual credit rate plus three percent will be charged based on the Customer's monthly account balance shortfall.

The furnishing by the Company of any estimate shall not be construed by the Customer as a guarantee or assurance that total actual charges will not exceed the estimates. Whenever, in the Company's judgement, it is deemed advisable to revise the estimate of the aggregate amount of any Customer's bills for the budget period, the Company shall prepare such revised estimate and advise the Customer of the amount thereof. The Company will review the budget payment amount on a quarterly basis and may revise the payment amount if it varies by \$6.00 or more from the budget payment amount in effect at the time of the review. Thereafter, the revised estimate shall be used by the Company as the basis for budget payments by the Customer until such time as it may be deemed advisable to revise the estimate.

Said estimates, or any revision thereof, shall apply only to the premises then occupied by the Customer, and if the Customer vacates such premises, the plan with respect to said Customer shall immediately terminate and any amounts payable by or due to the Customer on account of service rendered during the period covered by the plan shall be billed or paid to the Customer.

(Continued on Sheet No. 40)

Filed with the Illinois Commerce Commission on
Items in which there are changes are preceded by
an asterisk (*)

Effective
Issued by - George M. Behrens
Vice President
Post Office Box 190
Aurora, Illinois 60507

210/1102

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NICOR GAS

STATE OF ILLINOIS)
COUNTY OF DUPAGE)

George M. Behrens, being first duly sworn upon oath, states that he is a Vice President of Northern Illinois Gas Company, d/b/a Nicor Gas Company; that he has read the foregoing Petition by him subscribed and knows the contents thereof; and that the statements therein contained are true to the best of his knowledge and belief.

George M. Behrens

George M. Behrens

Subscribed and sworn to
before me this 31 day
of January, 2001.



Karen De Lockery
Notary Public